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IN THE  
**Supreme Court of the United States**

OCTOBER TERM, 1942.

**No. 457.**

**WESTINGHOUSE ELECTRIC & MANUFACTURING  
COMPANY,**

*Petitioner,*

**vs.**

**THE CROSBY CORPORATION,**

*Respondent.*

**REPLY BRIEF FOR PETITIONER.**

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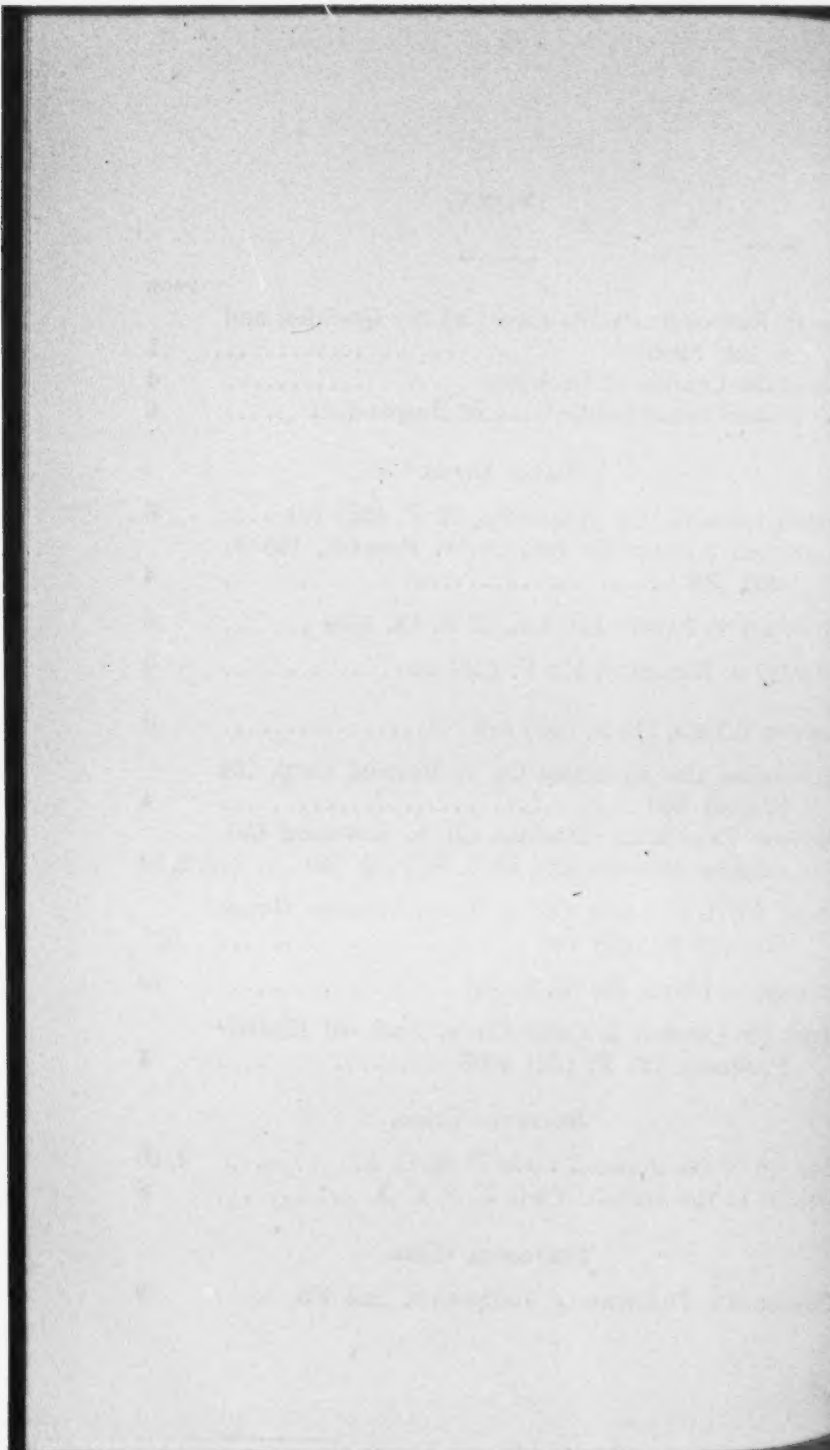
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**REPLY BRIEF FOR PETITIONER.**

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**As to Respondent's Statement of the Question and  
of the Facts.**

Respondent's statement of the question involved is exceedingly misleading and not at all in accord with the true situation. The present suit was not brought "because the patent owner took no action to justify the charge" of infringement, or because respondent was afraid petitioner would not bring suit, but, on the contrary, because respondent felt sure petitioner was about to sue and hence acted to "grab venue". No other conclusion is possible from a realistic view of the facts. Why else would the suit have been filed in Pittsburgh by New

York attorneys the very next day after receipt in Cincinnati of petitioner's letter of July 28, 1941?

The reference in respondent's statement of the question and in its statement of the case to certain communications between the parties about patent infringement matters prior to petitioner's letter to respondent above mentioned, is intended to give the impression that this was the cause of the filing of the instant action, but it is evident from the record that the previous correspondence had nothing to do with the matter. The contention that it did is a mere pretense.

The correspondence consisted of certain letters written back in 1936 and prior thereto and one on February 2, 1940, calling the attention of respondent to certain of petitioner's refrigerator patents which it believed to be infringed and offering respondent licenses thereunder (Crosley R. 25a-29a). Respondent ceased the alleged infringement of six of the patents referred to in the earlier correspondence and became licensed (indirectly) under one of them (C. R. 25a). Infringement of three of them continued, however, notwithstanding Crosley's changes of refrigerator models from time to time, and the letter sent in February, 1940, called attention to two additional patents which had just been issued. Thereafter, on September 1, 1940, respondent invited an offer of terms of license under all the patents then in question and, after considering an offer which was submitted by petitioner, advised petitioner on October 23, 1940, that it "had no present intention of acquiring licenses under the Westinghouse patents in question" but suggested that "a conference on the subject would be beneficial to both sides" (C. R. 27a, 28a). Petitioner expressed itself as agreeable to a discussion and on October 29, 1940, its representative wrote to the representative of respondent that "if you will suggest a time and place for a meeting, I will advise you if it is satisfactory". Nothing further

was heard from respondent and petitioner, becoming convinced that respondent did not intend to carry the negotiations further, wrote the letter of July 28, 1941 (C. R. 29a), advising respondent definitely and for the first time that suit for infringement would be brought.

It is thus evident that respondent's statement that this suit was filed "because Crosley's patience had become exhausted by such repetitious harassment and attempted intimidation" is utterly without foundation. There was no harassment or intimidation of any kind but only a businesslike correspondence confined to the parties themselves, with a long overdue response awaited from respondent when the latter was notified that immediate action for infringement of all the patents involved (including several which had issued since the letter of February 2, 1940) would be filed. Obviously it was only this notice that had anything to do with the filing of the declaratory suit and the speed in filing it shows beyond question that it was motivated only by respondent's knowledge of the imminent infringement action.

A review of the prior correspondence was therefore properly omitted from petitioner's statement of the case as being immaterial to the issue. Respondent's representations regarding it are merely for the purpose of attempting to create, as a justification for its groundless action, a case of harassment which did not exist.

The intimation on pages 4 and 5 of respondent's brief that petitioner may have been induced to file the infringement suits in Cincinnati by the institution of the present action in Pittsburgh is completely negatived by the facts. The complaints were forwarded to Cincinnati on July 31, 1941, with Mr. Beam's letter (Westinghouse R. 6a) giving instructions for immediate filing, petitioner at the time having no knowledge of the present action and not being served therein until the following day, August 1, on which day the instructions contained in said letter of



July 31 were carried out by the filing of the infringement suits (W. R. 1a, 2a and 4a). Thus it is impossible that such filing could have been induced by respondent's action, but, on the contrary, it is perfectly clear that respondent was induced to file its action by its certainty that petitioner was about to sue.

Respondent's assertion that the present case is the same in its material facts as *Crosley v. Hazeltine*, 122 F. (2d) 925, and *Triangle Conduit & Cable Co. v. National Electric Products*, 125 F. (2d) 1008, in which writs of certiorari were denied by this Court, is also incorrect. Those cases did not, on their facts, present the question of whether mere priority of filing is to be substituted for the discretion of the trial court in determining whether a declaratory action is to be given precedence over a corresponding executory action, such as a patent infringement suit. The factual distinctions are believed to be sufficiently stated in the brief in support of the petition to show that this is so.

#### **As to the Conflict of Decisions.**

Respondent seeks to show that the decision of the Court of Appeals below does not conflict with the decisions of other Courts of Appeals and of this Court. Its effort completely fails.

It is contended that the very pertinent comments of the Seventh Circuit Court of Appeals in *American Automobile Ins. Co. v. Freundt*, 103 F. (2d) 613, are not to be taken as indicating conflict because of a decision of the same court the following day in *Milwaukee Gas Specialty Co. v. Mercoid Corp.*, 104 F. (2d) 589, in which it was held that, in the circumstances of that case, an earlier-filed declaratory judgment suit should prevail over a later infringement suit. That the Court meant what it said in the *Frendt* case and that there is real conflict

between the principles of its decisions and those on which the present case was decided by the Third Circuit Court is shown by the recent case of *Penn Electric Switch Co. v. United States Gauge Co.*, 129 F. (2d) 166, in which the Seventh Circuit Court, in holding that a declaratory action was not barred by an earlier-filed infringement suit on the same patent against one of plaintiff's customers in another jurisdiction, said:

" \* \* \* In the instant suit the parties were not the same. \* \* \*

"Moreover, there was no jurisdictional obstacle to the bringing, or to the maintenance of a suit for a declaratory decree \* \* \* based on the pendency of a patent suit, on the same patent and claim, between the same parties, in another court having jurisdiction of the infringement suit and of the parties. The granting of a declaratory judgment lies in the sound discretion of the trial judge.

"In such a situation one court may, if the facts warrant it, stay the other suit by ordering the parties before it to take no further steps in the second suit. *Such motion to stay, however, is addressed to the court's discretion, not to its jurisdiction. The soundness of the exercise of its discretion may, no doubt, also be reviewed, but only as a question of the proper exercise of judicial discretion, may it be reviewed.*

"Disposition of a motion addressed to the court's discretion depends solely upon the facts in each case. A long delayed suit for alleged infringements of an alleged valid patent, after a somewhat extensive attack on customers,—a sort of a guerilla warfare,—does not appeal to a court of equity, *even though the infringement suit was brought before the declaratory judgment suit was begun.*" (Emphasis ours.)

This clearly shows that in the Seventh Circuit mere priority of filing is not controlling and the instant decision

is thus definitely in conflict with the decisions of the Court of Appeals of that Circuit, as well as with the decision of the Fourth Circuit Court of Appeals in *Aetna Casualty Co. v. Quarles*, 92 F. (2d) 321, and the decision of this Court in *Brillhart v. Excess Ins. Co.*, 62 S. Ct. 1173, cited in the brief in support of the petition.

The only effort of respondent to show that there is no conflict between the latter two decisions and the decision of the Court of Appeals here is the statement on page 7 of its brief that insurance cases "involve strictly private issues" while patent cases involve the public interest. While it is not conceded that the procedure in insurance cases is not also a matter of public interest, it should suffice to point out in answer to this contention that in none of the cases cited, nor in any others so far as petitioner is aware, is any distinction in principle made between insurance cases and patent cases, and that in the above quoted decision of the Seventh Circuit Court the same principles are applied to a patent case as have been applied in insurance cases.

It is true, as respondent asserts, that patent cases do involve the public interest and that is one reason why the writ should be granted in the present case in order to correct an erroneous decision of far-reaching effect in patent litigation.

#### **As to Additional Contentions of Respondent.** <sup>11</sup>

Another contention made by respondent, and in support of which it cites a group of cases in the footnote on page 6 of its brief, is that where "a patent owner charges infringement by a manufacturer an actual controversy . . . exists" and that the courts have unanimously held "that failure to recognize that fact constitutes a reversible

abuse of discretion". This is also beside the point here since there is no issue as to whether there was a "controversy" within the meaning of that term as used in the statute but only as to whether the trial court is free to use its discretion in determining whether under the circumstances of particular cases a declaratory action should be given precedence over an executory action.

Respondent, in attempting to answer petitioner's contention that one of the evils of substituting a "rule of priority" for the "rule of discretion" is that under the former an alleged infringer can harass a corporate patent owner by suing it in a remote jurisdiction of the infringer's choosing, states categorically that one who wishes to bring a declaratory judgment suit "has but one jurisdiction in which to file the suit—the domicile of the patent owner". That this is not true is shown by the above cited decision in *Penn Electric Switch Co. v. U. S. Gauge Co.*, in which the court held that the fact that the defendant, a Pennsylvania corporation, was licensed to do business in Illinois rendered it subject to jurisdiction of the federal courts in that State, and also by the recent case of *Monroe Calculating Machine Co. v. Merchant Calculating Machine Co.*, 55 U. S. P. Q. 189, in which Judge Kirkpatrick in the Eastern District of Pennsylvania held that a patent owner, although domiciled in California, was subject to a declaratory action in Pennsylvania solely because it had appointed the Secretary of State in that State as an agent for purposes of service. This clearly demonstrates how a corporate patent owner, *without fault on its part*, can be deprived of his rights in patent cases under Section 48 of the Judicial Code and subjected to an action in a foreign jurisdiction under Section 51, if the priority rule establish by the Third Circuit Court of Appeals is to stand.

The *Monroe* case also strikingly substantiates petitioner's contention that under the Third Circuit rule the district courts in that Circuit must feel that they are deprived of all discretion in the matter of entertaining a declaratory judgment suit if filed ahead of a corresponding infringement suit. The court found as a fact that:

" \* \* \* defendant was induced to withhold suit for infringement by a belief, reasonably based upon statements and letters of the plaintiff's attorney, that all litigation by either party would be held in abeyance until a definite answer was received from the plaintiff's attorney as to the position which it would take in respect to the charge of infringement. With matters in this shape the plaintiff, without advance notice to the defendant, brought this action. The defendant followed with an infringement suit in California \* \* \* "

Nevertheless Judge Kirkpatrick felt bound to issue an injunction restraining the prosecution of a later-filed infringement suit in California, stating:

"The preliminary injunction will be granted. The law upon this point was fully declared by the Circuit Court of Appeals of the Third Circuit in *Crosley v. Hazeltine*, 122 F. 2d 925 [51 U. S. P. Q. 1]; *Triangle v. National Electric*, 125 F. 2d 1008 [51 U. S. P. Q. 425]; and *Crosley v. Westinghouse* [54 U. S. P. Q. 291]. \* \* \* "

Respondent, with no justification whatever, characterizes the orderly procedure of the petitioner in the exercise of its patent rights as a "racket" and refers to the case of *Lances v. Letz*, 115 F. (2d) 916 (C. C. A. 2). Examination of that decision shows that the case was in no sense comparable to the present situation, particularly since the declaratory action was not brought until nine

months after a definite threat of an infringement and there was nothing to indicate that the patent owner was going to sue—in fact the indications were clearly that he was not willing to submit the charge for adjudication. The Court merely stated in a general discussion of the purposes of the Act, which had been very properly invoked in the circumstances of that case, that one of the situations in which the declaratory judgment is most helpful is that of patent litigation where a threat of infringement has been made and not pressed, the point being illustrated by quoting the following statement from Borchard on Declaratory Judgments: "This has had a most beneficial effect in curing what had become a racket. For patentees, none too sure of the validity of their patents, had often notified customers or licensees of their rivals or competitors of their intention to bring suit against all who dealt in the product in question." Doubtless respondent's only reason for reference to the case was the use of the word "racket" in the Borchard quotation, which was applied by the author to a wholly different situation. It may well be applied to such conduct as the respondent's misuse of the Declaratory Judgment Act by racing into a jurisdiction of its own choosing in order to get its action on file before the imminent infringement action could be filed in the district of its domicile, but it has no application to any actions of the petitioner.

Notwithstanding Rule 57 of the Rules of Civil Procedure, referred to on page 8 of respondent's brief, the Declaratory Judgment Act can be used under the decision of the Court of Appeals as an instrument of delay and obstruction, as well as an instrument of procedural fencing, particularly if a corporate patent owner of California can be sued for a declaratory judgment in Pennsylvania by a Delaware corporation having its place

of business in New Jersey, as in the *Monroe v. Merchant Calculating Machine Co.* case, *supra*, and then compelled to sue the alleged infringer for infringement, in a jurisdiction permitted by Section 48, Judicial Code, as it may well find it necessary to do under the *Stonite v. Lloyd* case, 315 U. S. 561, for the reasons mentioned in petitioner's main brief. Respondent has made no effort to deal with the implications of the latter decision or to answer on its merits petitioner's point in respect thereto.

Respectfully submitted,

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